

Balmoral Group Holdings Limited

Annual report and financial statements

31 March 2022



Core values

The values described below apply to employee relationships with all customers and suppliers – whether that is within Balmoral Group or with the company's highly valued client base.

Customer focus

Leading and working together as a team to deliver high quality products on time at the best possible price with no surprises.

Respect

Treating clients, colleagues and suppliers as we wish to be treated ourselves, with respect and decency.

Integrity

Reliability, flexibility, honesty, openness and fairness. Supporting clients, colleagues and suppliers at all times with a focus on the common end goal.

Accountability

Being proactive in setting and achieving objectives. Taking responsibility in one's role and enhancing the company reputation at all times.

Innovation

A commitment to the company's philosophy of innovation, continuous improvement and clear communication, internally and externally.

Motivation

Maintaining a focus on aligning efforts and energy to achieve common goals, ie, successful projects. Constantly seeking to add value.

Contents

2	Group overview
3	Chairman's statement
4-5	Strategic report
6	Directors' report
8-10	Independent auditor's report to the members of Balmoral Group Holdings Limited
11	Consolidated Profit and Loss Account and Other Comprehensive Income
12	Consolidated and Company Balance Sheet
13	Statements of Changes in Equity
14	Consolidated Cash Flow Statement
15-35	Notes

Balmoral Group Holdings Ltd

Established in 1980 by chairman and managing director, Sir Jim Milne CBE, Balmoral Group is a privately-owned company comprising several operating divisions.

Currently employing approximately 575 people the company has earned a global reputation for its innovative approach and sector-leading product solutions that help its clients be more competitive and win more business.

Balmoral Comtec Ltd

Balmoral's offshore energy-related business provides product design, development and delivery of buoyancy, protection and insulation solutions to the oil and gas and renewable energy sectors.

At Group HQ in Aberdeen the company has invested in a pioneering design and manufacturing facility that includes laboratory, engineering, production, project management and testing facilities that are unrivalled in the industry. The £20m+ Balmoral Subsea Test Centre opened its doors in 2018.

Working with clients around the world the company has developed strong, successful relationships based on an open and transparent communication approach. It helps clients resolve their technical challenges and works closely with them from concept development and advice through to product design, manufacture, testing, delivery and support – all managed in-house giving total quality, project and scheduling control.

Balmoral Tanks Ltd

Balmoral Tanks is a leading design and manufacturing company that provides unique turnkey services spanning civils groundwork, tank design and manufacture, installation, pipework, commissioning and technical after sales services.

Producing what is believed to be the most comprehensive range of tank products from a single source, civil engineering, firefighting, potable/non-potable water, anaerobic digestion, wastewater, desalination and drainage are key sectors for the company.

A purpose-built factory in South Yorkshire, representing a £10m+ investment, was commissioned in 2018 and was complemented by the addition of a new production line for glass fused to steel tanks which began operations in 2021.

In South Wales Balmoral Tanks operates a specialised design and manufacturing facility that provides hot press GRP and steel sectional tanks as well as cylindrical steel tanks for the global water storage and fire-fighting sectors.

Through its subsidiary, Water Environment Treatment Limited, Balmoral Tanks now offers water quality testing and treatment services.

Balmoral Park Ltd

Balmoral Park is the company's property development and management arm. Covering some 18 acres Balmoral Business Park in Aberdeen is home to three auto dealerships; Audi, Mini and Volvo, and features a 40,500sqft high-specification office pavilion.

Housed in the pavilion is the @BalmoralHUB, home to executive office space, meeting rooms and co-working facilities for up to 50 businesses. Administered by Elevator, a social enterprise dedicated to supporting entrepreneurs, business leaders and employees, its state-of-the-art design and layout actively promotes innovation and a collaborative culture.

Each of the above businesses is run by defined management and operations teams that are wholly responsible for their unit's profit and loss activity. All personnel are committed to the company's core values of customer focus, respect, integrity, accountability, innovation and motivation and its philosophy of continuous improvement.

Chairman's statement

The results for the year ended 31 March 2022 reflect a continuation of the challenging trading conditions being experienced across the Balmoral Group of Companies. The global pandemic continued to cause supply chain disruption, project award delays and we also saw significant raw material cost inflation.

Notwithstanding the difficult operating conditions, I am pleased to report that turnover of £113m was down only 11% on the previous year, with turnover from continuing operations virtually flat on the previous year. However, the impacts of increasing costs on longer term contracts resulted in decreased margins with operating profits before exceptional items reducing to £2.9m (2021 £9.6m). Operating profit for the year was £2.6m (2021: £8.9m).

Having supported the ACE Winches business through difficult times we disposed of that investment in the year which resulted in an exceptional cash inflow to the Group of £9m. However, the reversal of equity and goodwill together with related costs resulted in a loss on the transaction of £3.2m which resulted in the Group making a pre-tax loss of £1.3m, with the continuing operation of the business showing a small profit.

Whilst none of the Group companies were immune to the difficult trading environment, we have continued to make substantial investment across the various businesses and the Balmoral team has continued to work hard and to innovate. We firmly believe that through the cycle, investment in our products and people will deliver significant benefits in the medium to longer term.

Balmoral Comtec continued to build momentum in securing renewable energy projects which allows us to transition our vast experience in oil and gas into the renewables sector. We are developing further products for this exciting market that will see significant investment in the decade ahead.

The Tanks business emerged from the pandemic strongly with an improving order book and a profitable finish to the financial year. This has continued post year-end and the business has started to fully capitalise on the investment made in facilities over recent years with significant export opportunities contributing to the targeted growth.

In common with most businesses we have also faced challenges with logistics as well as the availability and increasing cost of raw materials. To date we have been able to deal with the logistics and availability challenges while still meeting client delivery requirements. The increase in the price of raw materials has impacted our profitability on work that was already contracted.

We continue to enhance our Environmental, Social and Governance ("ESG") agenda and a working party has been established across the various Group companies to give this particular focus.

During the year we faced many challenges and much of the time this had to be dealt with remotely as the office-based staff worked from home. Our factories continued to operate with adjusted working practices to stay COVID free. As ever I would like to thank all staff for the superb efforts they have made during this unprecedented time.

We are now learning to live with the pandemic; since March 2020 all staff have done a fantastic job in adapting the way they work to both stay safe and deliver their input to the business and as we return to a more normal state, we are able to capitalize on that as a team. The professionalism, loyalty and commitment of our workforce across the board underlines the vision we have for the future of the company.

We continue to support many charities around the world as well as Friends of ANCHOR in Aberdeen. 2022 is a milestone anniversary for the charity, marking 25 years of serving the needs of cancer and haematology patients throughout the region.

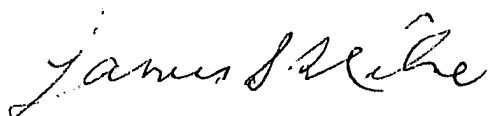
Since 1997 the charity has funded millions to make that vision possible by investing in four core areas: medical equipment; clinical excellence; research and wellbeing. An exciting time of growth and service development lies ahead for Friends of ANCHOR and Balmoral remains steadfast in its support for the charity.

Future outlook

The past couple of years have undoubtedly been challenging for our Group. We are hugely encouraged by the significant uplift in activity levels across our businesses since the year-end which has resulted in order backlogs now being at record levels.

Balmoral Comtec continues to benefit from the substantial investment being made in energy transition and energy security which has given our customers increasing confidence to make contract awards. Our Tanks business has also won substantial export contracts which has resulted in improved profitability and a strong platform for future growth.

Balmoral Group has emerged from the global pandemic in good shape from an operational and financial perspective. We have a strong balance sheet with significant cash resources and the outlook is very positive with improving profitability evident across our various Group companies.



Sir JS Milne CBE
Chairman
16 December 2022

Strategic report

The directors present their strategic report for the year ended 31 March 2022. This strategic report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Balmoral Group Holdings Limited and its subsidiary undertakings when viewed as a whole.

Principal activities

The Group is involved in the design and manufacture of a range of products, the hire of equipment and the management of its property assets.

Business model

Our business model is to provide our customers with value added solutions through product design, development, manufacture and delivery. Our routes to market vary across product types with the main sales channels being where we identify potential customers and bid for work through a competitive tendering process. Critical to our business success are quality, design and customer service.

Business review and results

Our operations split into two main classes of business: manufacturing and rental and property related.

Manufacturing and rental businesses

Our operation in Aberdeen is a trusted global partner to the offshore energy sector. We offer unrivalled technical expertise, a vast project track record, evidence-based buoyancy, protection and insulation product solutions. This, combined with a proactive approach to stakeholder engagement, ensures success. The business had a challenging start to the year, but finished strongly, with strong delivery and order position carried into next year.

Our Tanks business operate from factories in Thurnscoe, South Yorkshire and Llantrisant, South Wales. This business has seen very significant investment over the past five years as we continue to consolidate our position as a world class manufacturer. In many ways this has been a business start-up which was also impacted by the global pandemic. The business has however been able to iron out the inevitable start up issues with a new facility and the business returned to profitability at the end of the year.

Blaze Manufacturing Solutions became a subsidiary during 2019 and provide a range of fire protection systems and services. The business is in a rebuilding phase and its recovery was severely impacted by COVID as staff could not travel to overseas locations and offshore work was restricted. We are seeing an increase in activity as businesses return to a more normal state.

The company held an interest in ACE Winches which traded profitably until its disposal in November 2021. While this resulted in a book loss the disposal was cash generative for the company.

Property

The Aberdeen commercial property market remained difficult with an over supply of new office space and a large number of older offices available. Some of the older units are being demolished to reduce the burden of rates. The market however has stabilized somewhat and we saw a net revaluation gain of £35,000 in the year, with increasing interest in space as we return to more normal conditions.

The Group balance sheet shows fixed assets for lease outside the Balmoral Group as either Investment Properties or as Finance Lease Receivables depending on the terms of the lease. Investment properties are carried at fair value in the balance sheet, based on an annual valuation by an external, independent valuer. Finance lease receivables are carried at amortised cost. The estimated fair market value of finance lease receivables, based on an external valuation, and the book value recorded in the balance sheet do not differ materially.

Key performance indicators

The management teams in the Group use a number of KPI measures to monitor the progress of their business units. In addition to financial measures these cover quality and HSE issues. The top level KPIs long term are sales growth, operating profit and working capital. Between these they demonstrate if the objective of profitable growth is being achieved whilst controlling the cash demands of the business.

During the year turnover fell by 11% to £113m, there was an operating profit before exceptional items of £2.9m (2021: £9.6m) and working capital excluding cash increased by £16.6m as activity started to increase at the end of the year.

This was achieved despite the continued impacts of the global pandemic on all our business units. The healthy balance sheet and cash position of the company has allowed us to continue to focus on positive future growth activities and we have started to see benefits from this towards the end of the financial year and expect continued improvements in 2023. The increase in working capital was a combination of increased activity at the end of the year, increased stock holding to combat supply challenges and general customer pressure.

Strategic report (continued)

Statement relating to the Directors' responsibilities under Section 172 of the Companies Act

The Directors recognise their duty to act in a way which they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole in accordance with section 172 of the UK Companies Act 2006. The Directors' section 172 duties are part of Board discussions.

The Group's core values are noted at the start of the accounts and set out how all companies in the Group and their employees are expected to interact with each other and key stakeholders. To drive long term value for all stakeholders the directors believe it is necessary, in addition to acting in accordance with our core values, to invest in our people, plant and products. This includes the quality of the working environment, training and adequate investment in research and development.

The Directors continue to have regard to the interest of the Group's key stakeholders, and throughout the year the Board and management engage with key stakeholders on items relevant to them. We set out below our key stakeholder groups, their material issues and how the Group engages with and considers the interest of each stakeholder group.

- **Investors and lenders**
The Group has low levels of borrowings and is owned by the Chairman and his family trusts; the investors are therefore involved in the day to day management of the Group. Minority shareholders are directors of or senior managers in subsidiary companies and are therefore kept informed of the progress of their investments. Our lenders key interest is in the long-term future of the business and they are updated on progress on a quarterly basis.
- **Employees**
Our people are key to our success and we want them to be successful both individually and as a team. Directors and senior management in all Group businesses maintain regular formal and informal communication with staff. Key areas of focus include health and welfare, training and development opportunities, pay and conditions. Staff want to work for a successful business that invests in the future in a safe and sustainable way. Our core values, our focus on HSEQ and investment in research and development address these concerns.
- **Customers**
Our customers are looking for a quality product, delivered on time at a fair value. At all levels of the business we are proactive in our relationships with our customers and in regular communication as projects are progressed from winning the sale, detailed design, manufacture and delivery. We build strong relationships with our customers and work with them to understand their needs and where we can add value. We continually strive to meet or exceed our customer expectations by investing in our products, plant, processes and people.
- **Suppliers**
We build strong relationships with our suppliers to build mutually beneficial and lasting partnerships. Engagement includes formal performance reviews and key areas of focus include innovation, product development, health and safety and continuity of supply. The main concerns of our suppliers include visibility of future demand for their products and services. Where possible we share planning information to align our demand with their ability to supply.
- **Other stakeholders**
We engage with the communities in which we operate. The Group supports the Friends of ANCHOR charity in Aberdeen by meeting the salary cost of the fund-raising team and all the administration expenses. In addition, individual businesses support local causes directly and national and international causes are supported through donations to the Milne Family Foundation.

In committing to the core values of the Group the directors believe this demonstrates their desire for the Group to maintain a reputation for high standards of business conduct and the need to act fairly between members of the Group.

Principal Risks and uncertainties

The directors continue to monitor the key risks that the Group faces, these are summarised below:

Raw material availability and prices The Group monitors raw material sources on a global basis and negotiates forward purchase contracts where appropriate with key suppliers. However, the cyclical nature of markets and any shortages of supply required to manufacture may lead to volatile changes in raw material prices.

Commodity prices The Group's activities are affected by certain commodity prices, being oil and gas and, to a lesser extent, the price of steel. The movements in price of these commodities has a direct impact on the number of projects which receive sanction from the oil and gas operating companies which in turn affect the number of projects on the order books of our principal clients, the offshore contractors. This risk reduces as the Group diversifies into more renewable and industrial markets.

Foreign exchange fluctuations The Group is exposed to foreign exchange risk, in particular in relation to the US dollar and the Euro. The Group monitors exchange rates and has a policy of hedging against currency fluctuations by purchasing raw materials in the same currency as sales are denominated in, whenever possible, or, from time to time, using forward currency contracts.

Future developments

The financial strength has allowed continued focus on developing new products and markets and the increasing proportion of renewable orders and opportunities present a positive position for the group going forward, as we return to a more normal state post pandemic. As set out in note 1, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in the preparation of these financial statements.

By order of the board
WE Main
16 December 2022



Directors' report

The directors present their annual report and audited financial statements for the year ended 31 March 2022.

Financial

The Group made a loss for the financial year of £3.3m (2021: profit of £7.0m). The directors recommend that no final dividend be paid (2021: £nil) and that the loss for the year be added to reserves carried forward.

Directors

The directors who held office during the year and up to the date of this report were as follows:

• JS Milne • WE Main • GJ Gerrard • KW Binnie

Certain directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report. The Company provided qualifying third party indemnity provisions to certain directors of associated companies during the financial year and at the date of this report.

Financial Instruments

Details of the Company's principal financial instruments, including external bank facilities, are set out in note 21 to the financial statements.

Engagement with Employees, Suppliers, Customers and Others

Direct personal communication with employees is an integral part of the Group's personnel philosophy. This is achieved by means of regular in-house publications and consultation with employees on matters of concern to them. It is the policy of the Group to develop a safe working environment and to offer equal opportunities to all seeking or maintaining employment with the Group, including offering employment to disabled persons with the appropriate skills and qualifications.

Relations with stakeholders are of strategic importance to the group and these matters are also dealt with in the Strategic Report (under section 172 obligations).

Energy use

The group's UK energy use was 25,901,000 KWh (2021: 26,958,000 KWh). This equates to the following levels of CO2 emissions by source.

tCO2e	2022	2021
Electricity	2,298	2,453
Gas	2,644	2,700
Transport	<u>197</u>	<u>257</u>
	<u>5,139</u>	<u>5,410</u>

Energy intensity

Tonne CO2e per £m sales	52	43
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All continuing businesses in the UK are included in the above figures.

Across the group we are reviewing our energy consumption to reduce the level of greenhouse gas emissions. We are at the early stages of our work on this and initial work centres on reducing out of hours energy consumption, replacing lighting with LED lights, reviewing controls on pumps, the possible use of heat recovery systems on gas ovens, advanced metering and general building reviews.

The information in this energy use statement is based on our Streamlined Energy and Carbon Reporting (SERC) Report.

Charitable and political donations

The Group continues to support the Friends of ANCHOR charity by meeting all its administrative costs. In addition the Group made donations to a range of charities supporting social, medical and religious work in the UK and overseas. Donations to UK charities amounted to £2,124,000 (2021: £2,325,000). The Group made political donations in the year comprising Conservative Party £nil (2021: £200,000), Labour Party £10,000 (2021: £18,000), Scotland in Union Organisation £nil (2021: £10,000) and Liberal Democratic Party £nil (2021: £5,000).

Directors' report (continued)

Statement of directors' responsibilities in respect of the Strategic Report, the Directors' Report and the financial statements

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the Group and parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Disclosure of information to Auditors

The directors who held office at the date of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

WE Main

Director, Aberdeen



16 December 2022

Independent auditor's report to the members of Balmoral Group Holdings Limited

Opinion

We have audited the financial statements of Balmoral Group Holdings Limited ("the company") for the year ended 31 March 2022 which comprise the Consolidated Profit and Loss Account and Other Comprehensive Income, the Consolidated and Company Balance Sheet, the Consolidated and Company Statement of Changes in Equity, the Consolidated Cash Flow Statement and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2022 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the company or to cease their operations, and as they have concluded that the Group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the company will continue in operation.

Fraud and breaches of law and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and the Board, and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the Group's channel for whistleblowing, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

This included communication from the Group to component audit teams of relevant fraud risks identified at the Group level and request to component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at Group.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that Group management may be in a position to make inappropriate accounting entries and the risk that turnover and profit margin recognised over time is recorded in the wrong period. We did not identify any additional fraud risks.

Independent auditor's report to the members of Balmoral Group Holdings Limited (continued)

Fraud and breaches of law and regulations – ability to detect (continued)

We performed procedures including:

- Identifying journal entries and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included unbalanced journals; revenue and cash journals posted to unrelated accounts; and journals with specific descriptions, which may indicate a fraud risk.
- For all full scope components, agreeing revenue accrued at year end to evidence of goods delivered or services performed in the year and re-performing, for a risk-based sample of fixed price contracts, the calculation of revenue recognised based on percentage of completion of costs, and comparing forecasts against contractual terms and correspondence with customers.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery and employment law. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic Report and Directors' Report

The directors are responsible for the Strategic Report and the Directors' Report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic Report and the Directors' Report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the members of Balmoral Group Holdings Limited (continued)

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurances about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



David Derbyshire (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Marischal Square
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Aberdeen
AB10 1DD

16 December 2022

Consolidated Profit and Loss Account and Other Comprehensive Income

for the year ended 31 March 2022

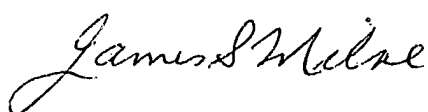
	Note	2022 Continuing £'000	2022 Discontinued £'000	2022 Total £'000	2021 Continuing £'000	2021 Discontinued £'000	2021 Total £'000
Turnover	2	99,391	13,870	113,261	98,377	28,712	127,089
Cost of sales		(83,447)	(8,707)	(92,154)	(76,300)	(19,474)	(95,774)
Gross profit		15,944	5,163	21,107	22,077	9,238	31,315
Administrative and selling expenses		(17,483)	(3,145)	(20,628)	(16,568)	(5,571)	(22,139)
Other operating income/(expense)	6	2,083	(5)	2,078	(248)	-	(248)
Operating profit	3-5	544	2,013	2,557	5,261	3,667	8,928
<i>Operating profit is analysed between:</i>							
Operating profit before exceptional cost		544	2,354	2,898	5,261	4,307	9,568
Exceptional items	7	-	(341)	(341)	-	(640)	(640)
Operating profit		544	2,013	2,557	5,261	3,667	8,928
Loss on disposal of operation	7	-	(3,215)	(3,215)	-	-	-
Interest receivable and similar income	8	57	-	57	35	-	35
Interest payable and similar expenses	9	(598)	(137)	(735)	(1,547)	(300)	(1,847)
Profit/(loss) before taxation		3	(1,339)	(1,336)	3,749	3,367	7,116
Tax on profit	10	(2,390)	442	(1,948)	411	(528)	(117)
Profit/(loss) for the financial year		(2,387)	(897)	(3,284)	4,160	2,839	6,999
Other comprehensive income							
Foreign exchange differences on translation of subsidiaries		54	13	67	(39)	66	27
Other comprehensive income for the year, net of tax	20	54	13	67	(39)	66	27
Total comprehensive income for the year		(2,333)	(884)	(3,217)	4,121	2,905	7,026
<i>Profit/(loss) for the financial year attributable to</i>							
Shareholders of the parent company		(2,894)	(897)	(3,791)	3,343	3,862	7,205
Minority interests		507	-	507	817	(1,023)	(206)
Total profit/(loss)		(2,387)	(897)	(3,284)	4,160	2,839	6,999
<i>Total comprehensive income attributable to</i>							
Shareholders of the parent company		(2,840)	(884)	(3,724)	3,302	3,929	7,231
Minority interests		507	-	507	819	(1,024)	(205)
Total comprehensive income		(2,333)	(884)	(3,217)	4,121	2,905	7,026

Consolidated and Company Balance Sheet

as at 31 March 2022

	Note	Group		Company	
		2022 £'000	2021 £'000	2022 £'000	2021 £'000
Fixed assets					
Negative goodwill	11	-	(3,262)	-	-
Intangible assets	11	1,949	2,189	3	1
Tangible assets	12	52,971	73,405	55	90
Investment properties	13	8,246	8,211	-	-
Finance lease receivables	13	14,394	14,329	-	-
Investments	14	-	-	17,685	22,685
		77,560	94,872	17,743	22,776
Current assets					
Stocks	15	9,195	5,744	-	-
Debtors	16	52,255	37,195	22,703	20,298
Cash at bank and in hand		25,365	37,247	7,446	2,811
		86,815	80,186	30,149	23,109
Creditors: amounts falling due within one year	17	(47,042)	(34,709)	(28,319)	(29,804)
Net current assets (liabilities)		39,773	45,477	1,830	(6,695)
Total assets less current liabilities		117,333	140,349	19,573	16,081
Creditors: amounts falling due after more than one year	18	(1,536)	(16,907)	-	-
Provisions for liabilities	19	(7,319)	(5,353)	30	-
Net assets		108,478	118,089	19,603	16,081
Capital and reserves					
Called up share capital	20	250	250	250	250
Profit and loss account		106,620	110,344	19,353	15,831
Equity attributable to the parent's shareholders		106,870	110,594	19,603	16,081
Minority interest		1,608	7,495	-	-
Shareholders' funds		108,478	118,089	19,603	16,081

These financial statements were approved by the board of directors on 16 December 2022 and were signed on its behalf by:



Sir JS Milne CBE
Chairman and Managing Director



WE Main
Group Finance Director

Statements of Changes in Equity

	Called up share capital	Profit and loss account	Total Shareholders' equity	Minority interest	Total equity
Consolidated statement of Changes in Equity	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2020	250	103,113	103,363	8,027	111,390
Total comprehensive income for the year					
Profit for the year	-	7,205	7,205	(206)	6,999
Other comprehensive income (Note 20)	-	26	26	1	27
Total comprehensive income for the year	-	7,231	7,231	(205)	7,026
Transactions with owners, recorded directly as equity					
Dividend paid to minority shareholders	-	-	-	(327)	(327)
Total contributions by and distributions to owners	-	-	-	(327)	(327)
Balance at 31 March 2021	250	110,344	110,594	7,495	118,089
Total comprehensive Income for the year					
Loss for the year	-	(3,791)	(3,791)	507	(3,284)
Disposal of subsidiary (note 7)	-	-	-	(6,394)	(6,394)
Other comprehensive income (note 20)	-	67	67	-	67
Total comprehensive income for the year	-	(3,724)	(3,724)	(5,887)	(9,611)
Balance at 31 March 2022	250	106,620	106,870	1,608	108,478

	Called up share capital	Profit and loss Account	Total Equity
Company statement of changes in equity	£'000	£'000	£'000
Balance at 1 April 2020	250	16,478	16,728
Total comprehensive income for the year			
Loss for the year	-	(647)	(647)
Total comprehensive loss for the year	-	(647)	(647)
Balance at 31 March 2021	250	15,831	16,081
Total comprehensive income for the year			
Profit for the year	-	3,522	3,522
Total comprehensive Income for the year	-	3,522	3,522
Balance at 31 March 2022	250	19,353	19,603

Consolidated Cash Flow Statement

for the year ended 31 March 2022

	2022	2021
	£'000	£'000
Cash flows from operating		
(Loss)/profit for the year	(3,284)	6,999
<i>Adjustments for:</i>		
Depreciation and impairment of tangible assets	6,215	12,033
Amortisation and impairment of intangibles	275	(4,971)
Foreign exchange losses	16	58
Research and development expenditure credit	(297)	(556)
Change in value of investment properties	(35)	1,200
Finance lease receivable net interest capitalised	(65)	(186)
Interest receivable and similar income	(57)	(35)
Interest payable and similar expenses	735	1,847
Gain on sale of tangible fixed assets	(834)	(247)
Amortisation of capital grants	(83)	(99)
Loss on disposal of subsidiary	3,215	-
Taxation	1,948	117
	7,749	16,160
Decrease/(increase) in debtors	(25,300)	24,509
Decrease/(increase) in stocks	(4,364)	1,563
Increase/(decrease) in trade and other creditors	8,131	(12,683)
(Decrease)/increase in payments made on account	(5,659)	927
(Decrease)/increase in accruals and deferred income	5,913	(1,341)
	(13,530)	29,135
Interest paid	(735)	(1,847)
Interest received	57	35
Tax paid	78	(38)
Net cash from operating activities	(14,130)	27,285
Cash flows from investing activities		
Proceeds from sale of subsidiary	8,977	-
Proceeds from sale of tangible fixed assets	1,385	925
Acquisition of tangible fixed assets	(4,544)	(4,942)
Acquisition of intangible assets	(235)	(296)
Net cash from investing activities	5,583	(4,313)
Cash flows from financing activities		
Repayment of borrowings	(1,926)	(1,890)
Payment of finance lease liabilities	(1,985)	(2,593)
Dividends paid to minority shareholders	-	(327)
Net cash from financing activities	(3,911)	(4,810)
Net (decrease)/increase in cash and cash equivalents	(12,458)	18,162
Cash and cash equivalents (including bank overdrafts) at 1 April	37,205	19,043
Cash and cash equivalents (including bank overdrafts) at 31 March	24,747	37,205

Notes

Forming part of the financial statements

1. Accounting policies

Balmoral Group Holdings Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK. Its registered office is Balmoral Park, Loirston, Aberdeen, AB12 3GY.

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102")*. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included; and
- Key Management Personnel compensation has not been included a second time.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 27.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at fair value: derivative financial instruments and investment properties.

1.2 Going concern

The Group's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report on page 4. The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

At the financial year-end, the Group had net current assets and net assets of £39.8m and £108.5m, respectively and cash of £25.4m. Net funds, comprising cash less debt, was £8.5m. The group working capital position was also high at the end of March 2022 due to phasing and related terms on projects and this has improved since year end. The Group repaid its £13.6m secured bank loan in August 2022 from group funds and agreed a three year £13m revolving loan facility, which is not currently drawn. Therefore the Group has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographical areas and industries.

The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Group will have sufficient funds to meet its liabilities as they fall due for that period. Reasonably possible downsides comprise additional projects being deferred and delays in cash receipts from customers as well as the impacts of the current market uncertainties.

Consequently, the directors are confident that the Group and the Company will have sufficient funds to continue to meet their liabilities as they fall due for at least twelve months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

1.3 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2022. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investments in subsidiaries are carried at cost less impairment.

Notes (continued)

1. Accounting policies (continued)

1.4 Foreign currency

Transactions in foreign currencies are translated to the Group companies' functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account except for differences arising on the retranslation of qualifying cash flow hedges and items which are fair valued with changes taken to other comprehensive income, which are recognised in other comprehensive income.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments on consolidation, are translated into the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenue and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on the retranslation are recognised in other comprehensive income.

1.5 Classification of financial instruments issued by the Group

In accordance with FRS 102.22, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and
- (b) where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the entity's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy. Transaction costs are allocated between the debt component and the equity component on the basis of their relative fair values.

1.6 Basic financial instruments

Trade and other debtors/creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financial transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Cash and cash equivalents

Cash and cash equivalents comprises cash balances, call deposits and instant access liquidity funds.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in subsidiaries

These are separate financial statements of the company. Investments in subsidiaries are carried at cost less impairment in profit or loss.

Notes (continued)

1. Accounting policies (continued)

1.7 Other financial instruments

Financial instruments not considered to be Basic financial instruments (Other financial instruments)

Other financial instruments not meeting the definition of Basic Financial Instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss except for hedging instruments in a designated hedging relationship which shall be recognised as set out below.

Derivative financial instruments and hedging

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (see below).

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in profit or loss.

For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the hedging gain or loss recognised in OCI is included in the initial cost or other carrying amount of the asset or liability. Alternatively when the hedged item is recognised in profit or loss the hedging gain or loss is reclassified to profit or loss.

When a hedging instrument expires or is sold, terminated or exercises, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain in equity is recognised in the income statement immediately.

1.8 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payment at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.20 below.

The Group assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives are as follows:

- buildings 30 to 50 years
- hire plant and equipment 15 years
- plant and vehicles 3 to 12 years
- office equipment and fittings 3 to 7 years

No depreciation is provided on heritable land.

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Group expects to consume an asset's future economic benefits.

Notes (continued)

1. Accounting policies (continued)

1.9 Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost.

Subsequent to initial recognition

- i. investment properties whose fair value can be measured reliably without undue cost or effort are held at fair value. Any gains or losses arising from changes in the fair value are recognised in profit or loss in the period that they arise; and
- ii. no depreciation is provided in respect of investment properties applying the fair values model.

If a reliable measure is not available without undue cost or effort for an item of investment property, this item is thereafter accounted for as tangible fixed assets in accordance with section 17 until a reliable measure of fair value becomes available.

1.10 Financial lease receivable

Leases where the Group acts as lessor and in which the Group transfers substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. For finance leases, the Group recognises in its balance sheet a finance lease asset equal to its net investment in the lease. This is defined as the lessor's gross investment in the lease discounted at the interest rate implicit in the lease. The gross investment in the lease is the minimum lease payments receivable plus any unguaranteed residual value accruing to the lessor.

Initial direct cost of negotiating the lease are included in the measurement of the finance lease receivable and reduce income over the lease term. A profit or loss on disposal is recognised in the income statement upon entering into a finance lease for any difference between the present value of the minimum lease payments plus any unguaranteed residual values and the carrying value of the property derecognised.

After initial recognition, finance income is recognised within other operating income on a basis that reflects a constant periodic rate of return on the net investment in the finance lease. Lease payments reduce the gross investment to reflect both repayment of principal and finance income. If the residual value used in the gross investment calculation changes significantly, the income allocation is revised and any gain or loss is recognised immediately in profit or loss.

1.11 Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity.

At the acquisition date, the group recognises goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the fair value of the equity instruments issued; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

When the excess is negative, this is recognised and separately disclosed on the face of the balance sheet as negative goodwill.

Consideration which is contingent on future events is recognised based on the estimated amount if the contingent consideration is probable and can be measured reliably. Any subsequent changes to the amount are treated as an adjustment to the cost of the acquisition.

1.12 Intangible assets, goodwill

Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the profit and loss account as an expense as incurred. Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and less accumulated impairments losses.

Notes (continued)

1. Accounting policies (continued)

1.12 Intangible assets, goodwill (continued)

Amortisation

Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be 5 years.

Amortisation of software is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives for software is 4 years.

Patents are amortised on a straight line basis over their useful life. The finite useful life is estimated at 20 years.

The Group reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill and other tangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

1.13 Government grants

Government Grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the expected useful lives of the assets to which they relate or in periods in which the related costs are incurred.

1.14 Construction contract debtors

Construction contract debtors represent the gross unbilled amount for contract work performed to date. They are measured based on the completion of a physical proportion of the contract work where the contract is based on units of production or cost plus profit recognised to date for other projects, less a provision for foreseeable losses and less progress billings. Variations are included in contract revenue when they are reliably measurable and it is probable that the customer will approve the variation itself and the revenue arising from the variation. Claims are included in contract revenue only when they are reliably measurable and negotiations have reached an advanced stage such that it is probable that the customer will accept the claim. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Company's contract activities based on normal operating capacity.

Construction contract debtors are presented as part of debtors in the balance sheet. If payments received from customers exceed the income recognised, then the difference is presented as accruals and deferred income in the balance sheet. Costs incurred relating to future activities, is recognised as work in progress within inventories.

1.15 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

1.16 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset; and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire entity into which it has been integrated.

Notes (continued)

1. Accounting policies (continued)

1.16 Impairment excluding stocks and deferred tax assets (continued)

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.17 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay future amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the period during which services are rendered by employees.

1.18 Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

1.19 Turnover

Turnover represents the amounts derived from the provision of goods and services to customers and the value of work carried out during the year net of trade discounts, VAT and sales related taxes.

Turnover for construction contracts is stated at the estimated stage of completion at the end of the reporting period, less amounts recognised in previous years. Turnover for other goods is recognised on delivery to the customer.

Rental income is recognised on a straight line basis over the period of the rental term.

Where items are sold from the rental fleet in the ordinary course of business, the sale proceeds are reflected in revenue and the remaining net book value is charged to cost of sales. Other disposals of tangible assets are recorded as a net gain or loss within operating profit.

1.20 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Financial lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and Interest payable

Interest payable and similar expenses include interest payable, finance charges on finance leases recognised in profit or loss using the effective interest method and net foreign exchange losses.

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

Notes (continued)

1. Accounting policies (continued)

1.21 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses or other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.22 Exceptional items

Exceptional items disclosed in the profit and loss are those significant items which in management's judgement are highlighted by virtue of their size or incidence to enable a full understanding of the Group's financial performance. Such items are included within the profit and loss caption to which they relate.

2 Turnover

	2022	2021
	£'000	£'000
By geographical market		
United Kingdom	49,362	35,882
Europe	15,546	12,371
Americas	40,088	44,914
Rest of world	8,265	33,922
	113,261	127,089

By class of business

	2022	2021
	£'000	£'000
Manufacturing – goods	104,056	111,004
Equipment rental and other services	8,524	15,464
Property related and rental – services	681	621
	113,261	127,089

Notes (continued)

3 Expenses and auditor's remuneration

<i>Included in the profit (loss) account are the following:</i>	2022	2021
	£'000	£'000
Audit of these financial statements	16	16
Amounts receivable by the company's auditors in respect of:		
Audit of financial statements of subsidiaries of the company	99	121
Tax compliance	21	33
Other services relating to taxation	30	19
Other assurance services	-	1
Operating lease rentals		
- Land and buildings	125	139
- Plant and machinery	119	119
Depreciation and amounts written off tangible fixed assets		
- Owned	5,527	6,153
- Leased	689	880
Impairment of tangible fixed assets	-	5,000
Amortisation and impairment of goodwill	(134)	(5,428)
Amortisation of intangible fixed assets other than goodwill	608	457
Research and development expenditure	730	762
Gain on sale of fixed assets (see also Note 6)	-	(248)
Government grants income (excluding Job Retention Scheme, Note 5)	(83)	(99)
Research and development expenditure credit	(297)	(281)

4 Directors' remuneration

	2022	2021
	£'000	£'000
Emoluments as executives	984	1,022
Company contributions to money purchase schemes	20	20

The emoluments, excluding pension contributions, of the highest paid director were £472,000 (2021: £485,000). Retirement benefits were accrued to 1 director (2021: 1 director) under money purchase schemes.

Notes (continued)

5 Staff numbers and costs

The average number of persons (including directors) employed by the Group during the year (excluding Subsidiary disposal), analysed by category, was as follows:

	Number of employees	
	2022	2021
Management and administration	208	273
Production	368	485
	576	758
The aggregate payroll costs of these persons were:	£'000	£'000
Wages and salaries	20,358	30,816
Furlough grant received	(457)	(1,639)
Social security costs	2,144	3,049
Defined contribution pension costs	1,228	1,436
	23,273	33,662

The Group operates a defined contribution pension scheme. Contributions amounting to £151,000 (2021: £179,000) were payable to the scheme at the year end and are included in creditors.

Wages and salaries include £457,000 (2021: £1,639,000) of payments that have been funded by the UK Government's Job Retention Scheme.

6 Other operating (expense) income

	2022	2021
	£'000	£'000
Finance lease income	964	952
Fair value adjustment for investment properties	35	(1,200)
Gain on sale of assets	834	-
Other including insurance proceeds	245	-
	2,078	(248)

7 Exceptional items and loss on disposal of operation

	2022	2021
	£'000	£'000
Impairment of negative goodwill (Note 11)	-	(4,999)
Impairment of fixed assets (Note 12)	-	5,000
Legal costs in connection with dispute with minority shareholders of a group subsidiary	341	639
	341	640

On 10 November 2021 the group disposed of its 70% shareholding in its subsidiary Alfred Cheyne Engineering Limited (ACE). Cash proceeds of £8,977,000 were received, net of those cash balances which formed part of the disposal and related transaction costs. A loss on disposal of this operation, including related costs, of £3,215,000 has been recorded in the current year. The results of ACE during the period it was owned by the group have been presented as a discontinued operation in the current and prior year.

Notes (continued)

8 Interest receivable and similar income	2022	2021
	£'000	£'000
Interest on short term deposits	42	34
Other interest receivable	3	1
Exchange gains and similar income	12	-
	57	35

9 Interest payable and similar expenses	2022	2021
	£'000	£'000
Finance costs on bank loans and overdrafts	517	558
Hire purchase and finance lease interest	125	187
Exchange losses and similar expenses	93	1,102
	735	1,847

10 Taxation

	2022	2021
	£'000	£'000
Analysis of charge for the year		
UK corporation tax:		
Current year	249	698
Prior year adjustment	(255)	(467)
	(6)	231
Overseas taxation	-	47
Deferred tax:		
Origination and reversal of timing differences	(824)	(630)
Change in rate of tax on opening balance	2,155	-
Prior year adjustment	623	469
	1,954	(161)
Total tax charge	1,948	117

The total tax charge for the year is higher (2021: lower) than the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

Total tax reconciliation:		
(Loss)/profit before taxation	(1,336)	7,116
	(254)	1,352
Effects of:		
Disallowed expenditure	26	292
Non-taxable fixed asset depreciation	(385)	117
Amortisation of intangible assets	-	(835)
R&D and Patent box tax relief	(51)	(824)
Change in tax rate	1,901	-
Utilisation of losses	(309)	-
Overseas tax rate	24	13
Sale of subsidiary	628	-
Prior year adjustments	368	2
	2,202	(1,235)
Total tax charge	1,948	117

Notes (continued)

The amounts provided for deferred taxation and the amounts not provided at 25% (2021: 19%) tax rate are set out below

	2022		2021	
	Provided £'000	Unprovided £'000	Provided £'000	Unprovided £'000
Group				
Difference between accumulated depreciation and capital allowances	4,105	-	3,655	-
Other timing differences	3,214	-	1,698	-
	7,319	-	5,353	-
Company				
Difference between accumulated depreciation and capital allowances	30	-	(18)	-
	30	-	(18)	-

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was subsequently enacted on 24 May 2021. This will increase the company's future current tax charged accordingly. The deferred tax asset as at 31 March 2022 has been calculated based on these rates, reflecting the expected timing of reversal of the related timing differences (2021: 19%).

11 Intangible fixed assets

Group	Software	Goodwill	Patents	Intangible Total	Negative Goodwill	Company Software
Cost	£'000	£'000	£'000	£'000	£'000	£'000
At beginning of the year	3,786	1,857	261	5,904	(9,067)	4
Additions	235	-	-	235	-	-
Disposals	-	-	-	-	9,067	-
At end of the year	4,021	1,857	261	6,139	-	4
Amortisation						
At beginning of the year	2,949	693	73	3,715	(5,805)	3
Disposal	-	-	-	-	6,005	-
Charge (credit) in the year	249	203	23	475	(200)	1
At end of the year	3,198	896	96	4,190	-	4
Net book value						
At 31 March 2022	823	961	165	1,949	-	-
At 31 March 2021	837	1,164	188	2,189	(3,262)	1

The negative goodwill previously recognised with respect to Alfred Cheyne Engineering Ltd (ACE) was disposed of in the year.

During the prior year an impairment review was carried out on the tangible fixed assets of ACE. As a result of that review a provision was made in the prior year of £5,000,000 in addition to the fair value adjustments recorded when ACE became a subsidiary in October 2019. This impairment charge has been recorded in the consolidated accounts and, at the same time, the amortization of the negative goodwill relating to these assets was charged with an additional £4,999,000 in the year.

Notes (continued)

12 Tangible fixed assets

Group	Heritable land and buildings £'000	Hire Plant and equipment £'000	Plant and vehicles £'000	Office equipment and fittings £'000	Total £'000
Cost					
At beginning of the year	52,054	34,986	52,977	3,688	143,705
Additions	1,158	629	2,428	329	4,544
Disposals	(695)	-	(1,330)	(63)	(2,088)
Disposal of subsidiary	(14,924)	(35,629)	(4,395)	(717)	(55,665)
Exchange movement	47	14	2	-	63
At end of the year	37,640	-	49,682	3,237	90,559
Depreciation					
At beginning of the year	17,721	20,202	29,227	3,150	70,300
Charge for the year	1,250	1,100	3,664	201	6,215
Disposals	(241)	-	(1,234)	(62)	(1,537)
Disposal of subsidiary	(11,128)	(21,315)	(4,257)	(705)	(37,405)
Exchange movement	-	13	2	-	15
At end of the year	7,602	-	27,402	2,584	37,588
Net book value					
At 31 March 2022	30,038	-	22,280	653	52,971
At 31 March 2021	34,333	14,784	23,750	538	73,405

Included in land and buildings is an amount of £8,598,000 (2021: £8,396,000) representing land not depreciated.

The net book value of fixed assets includes an amount of £7,955,000 (2021: £8,699,000) in respect of assets held under finance leases and similar hire purchase contracts. The depreciation charge for the year for these assets was £689,000 (2021: £880,000).

During the prior year, an impairment indicator was identified in respect of the hire plant and equipment tangible fixed assets of Alfred Cheyne Engineering (ACE), acquired by the Group in October 2019. The recoverable amount of these assets at the 31 March 2021 balance sheet date was assessed on a value in use basis using forecast future cash flows for earnings from operations and capital expenditure to sustain business operations. Growth was based on the company's five year plan forecast until 2025 and then reflected a long term growth rate estimate limited to 2%. A post-tax discount rate of 11.7% was used to determine the net present value of the cash flows. The carrying value of land and buildings comprising the company's yard facility was integral to the company's hire fleet, manufacturing and merchandising activities and was evaluated as part of this cash generating unit. The discount rate was a significant and sensitive assumption. Had the discount rate been 1% higher or lower, the prior year impairment charge would have increased by £1.8m or decreased by £2.2m respectively.

Notes (continued)

12 Tangible fixed assets (continued)

Company	Plant and vehicles £'000
Cost	
At beginning of the year	170
Additions	2
Disposals	-
At end of the year	172
Depreciation	
At beginning of the year	80
Charge for the year	37
Disposals	-
At end of the year	117
Net book value At 31 March 2022	55
At 31 March 2021	90

In accordance with FRS 102 heritable land and buildings occupied by Group companies are not considered investment properties and are held at cost and depreciated.

13 Investment properties and finance lease receivable

Group

	Investment properties £'000	Finance lease receivable £'000	Total £'000
Valuation			
At start of the year	8,211	14,329	22,540
Increase in fair value in the year	35	-	35
Net interest capitalised	-	65	65
Fair value at end of the year	8,246	14,394	22,640

All of the Group's investment property fair value is based on an annual valuation by an external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and class of property being valued.

The valuations, which are supported by market evidence, are prepared by considering the aggregate of the net annual rents receivable from the properties and where relevant, associated costs. A yield which reflects the specific risks inherent in the net cash flows is then applied to the net annual rentals to arrive at the property valuation ranging between 2% and 16%.

Any gain or loss arising from a change in fair value is recognised in profit and loss (Note 6).

	Less than one year	One to five years	More than five years	2022 Total £'000	2021 £'000
Finance lease receivable					
Gross investment in lease	835	3,476	47,736	52,047	52,369
Less: discount at interest implicit in lease	(950)	(3,882)	(32,821)	(37,653)	(38,040)
	(115)	(406)	14,915	14,394	14,329

There are no contingent rents, purchase or renewal options or material unguaranteed residual values accruing to the benefit of the lessor.

Notes (continued)

13 Investment properties and finance lease receivable (continued)

The fair market value of fixed assets leased outside the Balmoral Group and the book values of these assets is set out below.

	£'000
Investment Properties	8,246
Finance Lease Receivables	<u>14,394</u>
	<u>22,640</u>
Fair Market value	<u>24,850</u>

The fair market values are based on either an annual valuation by an external, independent valuer or a directors' valuation. The difference in values arises from finance lease receivables not being revalued in the financial statements.

14 Fixed asset investments

	Shares in Group Undertakings
Company	£'000
At start of the year	22,685
Disposals	(5,000)
At end of the year	<u>17,685</u>

Notes (continued)

14 Fixed asset investments (continued)

The company's principal subsidiary and associated undertakings are as follows:

Subsidiary undertaking	Country of registration	Nature of business	Percentage of ordinary shares held	
			Group	Company
Balmoral Industrial Tanks Limited	Scotland*	Manufacture of tanks	100	-
Balmoral Park Limited	Scotland*	Property Development company	100	100
Balmoral Comtec Limited	Scotland*	Manufacture of buoyancy and advanced composite products	98	98
Balmoral Offshore Industria de Plásticos Ltda	Brazil	Dormant	100	-
Balmoral Offshore Inc	USA	Sales Office	100	-
Balmoral Tanks Limited	Scotland*	Manufacture of tanks	100	100
Servomac Limited	England	Dormant	100	-
Balmoral Employee Benefit Trustees Limited	Scotland*	Trustee	100	100
Balmoral Advanced Composites Limited	Scotland*	Dormant	100	-
Balmoral Composites Limited	Scotland*	Dormant	100	-
Balmoral Intellectual Properties Limited	Scotland*	Dormant	100	100
Balmoral Navigational Aids Limited	Scotland*	Dormant	100	100
Balmoral Polymer Engineering Limited	Scotland*	Dormant	100	100
Balmoral Webco Limited	Scotland*	Dormant	100	100
LBT Group Limited	Scotland*	Dormant	100	100
HB Horseley Bridge Tanks Limited	England	Dormant	100	100
Balmoral Tanks Ireland Limited	Ireland	Dormant	100	100
Kirkdale 2000 Limited	England	Dormant	100	-
Water Environmental Treatment Limited	England	Water treatment services	75	-
Blaze Holdeo Limited	Scotland	Intermediate holding company	70	70
Blaze Manufacturing Solutions Limited	Scotland	Fire safety systems	70	-
Balmoral Renewables Limited	Scotland*	Dormant	100	100

The registered office of the subsidiaries registered in Scotland and marked * is Balmoral Park, Loirston, Aberdeen, AB12 3GY. The registered offices of other subsidiaries are: Balmoral Offshore Industria de Plásticos LTDA: Rua Da Aldeia, 76, LJ13, Centro Commercial Da Aldeia, Parque Residencial Laranjeiras, Serra, ES, CEP 29165-905; Balmoral Offshore Inc: 6363 Woodway, Suite 100, Houston, Texas 77057; Balmoral Tanks Ireland Limited: 108 Q House, Furze Road, Sandyford, Dublin 18; Kirkdale 2000 Limited: 6 Elm Road, West Chirton North Industrial Estate, North Shields, Tyne and Wear, NE29 8SE; HB Horseley Bridge Tanks Limited, Water Environmental Treatment Limited and Servomac Limited: Barrowfield Road, Thurnscoe, Rotherham, South Yorkshire, S63 0EW; Blaze Manufacturing Solutions Limited and Blaze Holdeo Limited, Laurencekirk Business Park, Laurencekirk, Aberdeenshire, AB30 1EY.

Notes (continued)

15 Stocks

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Raw materials and consumables	4,907	3,358	-	-
Work in progress	3,069	1,705	-	-
Finished goods and goods for resale	1,219	681	-	-
	9,195	5,744	-	-

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £38,259,000 (2021: £44,767,000).

16 Debtors

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Trade debtors	32,750	19,147	8	4
Due from Group undertakings	-	-	22,211	19,401
Amounts recoverable on contracts	14,065	10,770	-	-
Corporation tax	1,338	1,129	-	-
Deferred taxation (see note 10)	-	-	-	18
Prepayment	1,691	2,721	57	284
Other debtors	2,411	3,428	427	591
	52,255	37,195	22,703	20,298

Included within trade debtors are amounts falling due after more than one year of £nil (2021: £436,000).

17 Creditors: amounts falling due within one year

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Bank overdraft (secured)	618	42	-	-
Bank loans (secured)	13,550	950	-	-
Other loans (unsecured) (note 26)	1,085	2,047	1,070	2,047
Obligations under finance lease and hire purchase contracts	716	2,217	-	-
Trade creditors	15,363	8,341	39	170
Corporation tax	-	62	-	-
Due to Group undertakings	-	-	26,644	27,093
Group relief payable	-	-	128	217
Other creditors	4,217	4,324	159	129
Payment made on account	3,793	9,452	-	-
Accruals and deferred income	7,700	7,274	279	148
	47,042	34,709	28,319	29,804

The bank overdraft and bank loan was secured over the assets of one of the UK subsidiaries and the loan was repaid in August 2022.

Notes (continued)

18 Creditors: amounts falling due after more than one year

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Bank loans (secured)	-	13,550	-	-
Other loans	280	280	-	-
Obligations under finance lease and hire purchase contracts	673	2,087	-	-
Deferred income – Government grants	583	990	-	-
	1,536	16,907	-	-
Analysis of debt repayments				
Repayable less than one year	15,352	5,214	1,070	2,047
Repayable between one and two years	383	2,854	-	-
Repayable between two and five years	289	12,783	-	-
Repayable after five years	280	280	-	-
	16,304	21,131	1,070	2,047

At the year end, the Group was financed by two separate banking facilities all of which are guaranteed by the holding company. The Group's property company had a loan secured by a standard security over the assets which it finances. This loan was further secured by a floating charge over the assets of the property company. Repayment of this loan was by quarterly instalments of £237,500 being £950,000 per year. The loan was repaid in August 2022.

The manufacturing businesses have facilities to issue bank guarantees and performance bonds which are secured by floating charges over the assets of the companies to which the facilities are available to.

All obligations under finance leases and hire purchase contracts are repayable within five years. The other loans, due outwith one year, are from minority shareholders in a subsidiary, are repayable on the sale of the subsidiary and pay interest based on bank base rates. Other loans due within one year are interest free loans from a shareholder.

19 Provisions for liabilities

	2022	2021
Group	£'000	£'000
Deferred taxation		
At start of the year	5,353	5,515
Charge for the year – profit and loss	2,471	(162)
Disposal of subsidiary	(505)	-
At end of the year	7,319	5,353

Notes (continued)

20 Capital and reserves

Share Capital	Ordinary Shares	
On issue at 1 April 2020 and 31 March 2022	250,000	
	2022	2021
	£'000	£'000
Allotted, issued and fully paid: 250,000 ordinary shares of £1 each	250	250

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Group 2022	Profit and loss account £'000	Total other comprehensive income £'000
<i>Other comprehensive income</i>		
Foreign exchange differences in translation of subsidiaries	67	67
	67	67
Group 2021		
<i>Other comprehensive income</i>		
Foreign exchange differences in translation of subsidiaries	27	27
	27	27

21 Financial instruments

21 (a) Carrying amounts of financial instruments

The carrying amounts of the financial assets and liabilities include

	2022	2021
	£'000	£'000
Assets measured at fair value		
Cash and bank overdraft	24,747	37,205
Assets measured at amortised cost		
Trade debtors and amounts recoverable on contracts	46,815	29,917
Other debtors	2,323	3,167
Liabilities measured at amortised cost		
Bank loans	13,550	14,500
Other loans	1,365	2,327
Obligations under finance leases and hire purchase contracts	1,389	4,304
Trade creditors and accruals	23,063	15,615
Payments made on account	3,793	9,452
Other creditors	1,785	2,344

Notes (continued)

21 (b) Financial instruments measured at fair value

The group had not purchased any forward currency contracts or options to hedge currency exposure that were outstanding at the end of the year or the prior year.

21 (b.1) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. Group policies are aimed at minimizing such losses, and require that deferred terms are only granted to customers who demonstrate an appropriate payment history and satisfy credit worthiness procedures. Details of the Group's debtors are shown in Note 16 to the financial statements. The Group has processes and controls in place to regularly monitor individual trade debtor counterparty exposure.

21 (b.2) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group aims to mitigate liquidity risk by carefully managing cash generation by its operations and applying cash collection targets throughout the group. The Group also manages liquidity risk via revolving credit facilities and long term debt.

21 (b.3) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments. The most significant currency to which the Group is exposed is the US Dollar. This risk may arise on significant customer contracts and, as set out above, the Group may hedge the currency exposure on firm future commitments using forward currency contracts and options.

21 (c) Hedge accounting

There are no forecast transactions for which hedge accounting will be expected to occur.

22 Commitments

a) The future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Within one year	293	198	-	-
Between two and five years	237	151	-	-
	530	349	-	-

b) The Group had capital commitments at the end of the year, which were contracted for but for which no provision is made in the accounts, of £1,337,000 (2021: £977,000). The Company had capital commitments of £3,000 (2021: £nil).

Notes (continued)

23 Contingent liabilities

There are contingent liabilities arising from contractual obligations entered into in the normal course of business including, at the balance sheet date, £6,335,000 (2021: £6,447,000) in respect of contract performance and tender guarantees issued by the Group's bankers and insurers.

The Company has guaranteed the borrowings of other Group members which at 31 March 2022 amounted to £14,168,000 (2021: £14,500,000).

24 Analysis of changes in net funds (net debts)

	At 1 April 2021 £'000	Cash flows £'000	Disposal of Subsidiary £'000	At 31 March 2022 £'000
Cash in hand and at bank/bank overdrafts	37,205	(12,458)	-	24,747
	37,205	(12,458)	-	24,747
Debt due within one year	(2,996)	(11,624)	-	(14,620)
Debt due after one year	(13,830)	13,550	-	(280)
HP and finance leases	(4,304)	1,985	930	(1,389)
Total	16,075	(8,547)	930	8,458

25 Major non-cash transactions

There were no major non-cash transactions in either the current or prior year.

26 Related party transactions

The Company has taken advantage of the exemptions available under FRS 102 from disclosing transactions between the Company and its subsidiary undertakings where 100% of the voting rights are controlled within the group.

The Company recharged administrative costs to Balmoral Comtec Limited, its subsidiary, amounting to £2,477,000 (2021: £2,510,000). £26,644,000 (2021: £26,613,000) was owed to Balmoral Comtec Limited at 31 March 2022.

At 31 March 2022 the Company was owed a loan of £nil (2021: £2,750,000) from Alfred Cheyne Engineering Limited. Interest of £104,000 (2021: £233,000) was charged in the year. Interest accrued but not paid was £nil (2021: £18,000).

The Company was owed £1,708,000 (2021: £485,000) by Blaze Manufacturing Solutions Limited and its Parent Blaze Holdings Limited at 31 March 2022.

Transactions with key management personnel

Total compensation of key management personnel of the Group (including directors and the senior executive management team) in the year amounted to £2,323,000 (2021: £2,114,000).

At 31 March 2022 JS Milne had advanced the Group an unsecured interest free loan, with no fixed repayment dates, of £1,070,000 (2021: £2,047,000). The maximum loan in the year was £2,047,000.

Transactions with other related parties

JS Milne is a trustee and grantor and WE Main is a trustee of the Milne Family Foundation and of the Friends of Anchor Trust. During the year the total donations to these trusts was as follows:

Related party	Objective of trust or charity	2022 £'000	2021 £'000
The Milne Family Foundation	Support of missionaries overseas and those in need in UK and overseas	1,689	1,902
Friends of ANCHOR Trust	Support the Aberdeen and North Centre for Haematology, Oncology and Radiotherapy (ANCHOR)	-	2

In addition the Company paid the administrative costs of Friends of ANCHOR Trust which amounted to £250,000 (2021: £239,000).

Notes (continued)

27 Accounting estimates and judgements

Key sources of estimation uncertainty

The key assumptions used in arriving at the turnover from construction contracts and the value of construction contract debtors are:

- the margin expected to be generated on specific contracts; and
- for construction contracts in foreign currencies the exchange rate used

The margins are assessed on a contract by contract basis and require assessment of estimated contract costs to complete and any potential changes to revenues earned, which may include variation orders and liquidated damages. The exchange rate used is the average exchange rate at the balance sheet date unless the future income has been hedged.

Significant estimation is also required in respect of the fair valuation of investment property (note 13) and the recoverable amount of tangible fixed assets (note 12).

Critical accounting judgment in applying the Company's accounting policies

Critical accounting judgements include determining whether leases (where the Group act as either lessor or lessee) are finance leases or operating leases.

Judgement may also be required in evaluating impairment indicators, if any, in respect of property assets and finance lease receivables.

28 Subsequent event

Other than disclosed in note 18, there are no events to disclose.

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